



HOUSING LEVY RENEWAL

1981 – 1986 – 1995 – 2002

RENTAL ASSISTANCE

A background paper for Levy Renewal discussions

Introduction to Rental Assistance
History of Rental Assistance
Existing Federal Programs
Existing City of Seattle Programs
Private Rental Assistance Programs
Balancing Rental Assistance with Housing Production
Innovative New Ways to Use Rental Assistance

December 7, 2001



CYNTHIA A. PARKER, DIRECTOR

Report prepared by: Mary Bourguignon, Steeple-jack Consulting
Gary Clark and Rick Hooper, Office of Housing

RENTAL ASSISTANCE SUMMARY

Introduction---History---Current Programs---Balance---Innovations

❑ What is Rental Assistance?

- ◆ **Financial assistance** used to help low-income families pay their rent.
- ◆ **Private-market oriented**, directed primarily at families renting market-rate housing units.
- ◆ **Traditionally a Federal responsibility**, and seen as the Federal government's primary contribution to affordable housing.

❑ Rental Assistance funding is 55% of governmental discretionary funding available in Seattle for low-income rental housing in 2001.

❑ History of Rental Assistance

- ◆ **Help during the Depression:** Federal Government began producing subsidized housing to help families during the 1930s.
- ◆ **Balance money with supply:** Federal Section 8 rental assistance program began in the 1970s following studies showing national housing problem was not supply, but rather lack of family income. (*In Seattle, where supply has been a problem, local efforts have focused on production.*)
- ◆ **Stop concentrating poverty:** Rental assistance is key to current Federal efforts to avoid concentrating poor people in subsidized housing projects. Rental assistance is also cited as a way to prevent homelessness by helping families keep their private market housing and avoid being evicted.
- ◆ **Federal focus on rental assistance:** Over the last decade, Federal policy has led to increasing support for rental assistance and decreasing support for public housing operating subsidies. Recent renewed interest in Federal production program as HUD balances rental assistance and production programs.

❑ Federal Rental Assistance Programs

- ◆ **Section 8:** Provides long-term, cash assistance to households with income below 30% of median. Managed locally by Seattle Housing Authority, which is spending \$41.7 million in 2001 for 5,664 rent vouchers, and has commitments for an additional 1,500 vouchers to be leased up in the near future.
- ◆ **Shelter Plus Care:** Rental assistance plus services for homeless disabled people. Managed locally by Plymouth Housing Group, which currently receives \$3.5 million a year for 560 rent vouchers.

❑ City of Seattle Rental Assistance Programs

- ◆ **Homeless Family Assistance Program:** Provides up to two years of rent subsidies and case management for families moving out of homelessness.
- ◆ **Eviction Prevention Program:** Helps unstable families avoid eviction and keep their current housing.
- ◆ **HOPWA Program:** Uses Federal AIDS housing funds to prevent homelessness for individuals and families with members disabled by HIV/AIDS.
- ◆ **ERACE:** Provides emergency rent assistance to families facing one-time or short-term crises.
- ◆ **Levy O&M Trust Fund:** Funds created in 1986 and 1995 levies provide operating subsidy for housing units created for people with income under 30% of median.

❑ Private rental assistance programs

- ◆ **Mutual Interest:** Program supported by Apartment Association of Seattle-King County funds security deposits for low-income and homeless families.
- ◆ **Many church, faith-based, and community programs** provide short-term or emergency rent assistance. These programs are too numerous to catalog in this report.

❑ Balanced Strategy Needed

- ◆ **In a weak economy,** when housing market is slow, vacancy rates are high, and rents are flat or increasing only slowly, rental assistance is likely to be more cost-effective.
- ◆ **In a strong economy,** when housing prices and rents are increasing and/or vacancy rates are low, acquisition and new construction production strategies are likely to be more effective at meeting housing need.
- ◆ **A balanced strategy** – providing both rental assistance and new housing units subsidized with capital dollars – will best meet needs in the long run, as market conditions cycle up and down.

❑ Innovative new ways to use rental assistance

- ◆ **Project-based vouchers.** Up to 25% of Section 8 rent vouchers can be 'project-based,' that is tied to specific non-profit or private market housing units.
- ◆ **Agency-based vouchers.** Up to 20% of Section 8 rent vouchers can be 'agency-based,' that is used by human services case managers to help their low-income clients find housing in the private market.
- ◆ **Vouchers for homeownership.** Section 8 vouchers can also be used to help low-income families purchase a home.

WHAT IS RENTAL ASSISTANCE?

Rental Assistance is direct financial assistance that is provided so that low-income people can pay their rent and afford housing. Rental assistance is generally provided through a certificate or voucher that entitles a private or nonprofit landlord to a cash payment from a housing agency. With most rental assistance programs, the tenant family is asked to devote some portion of its income to rent and utilities. The difference between that amount and the monthly rent is made up by the rental assistance subsidy. Rental assistance does not attempt to increase the supply of housing. Rather, it provides money to help low-income families afford to live in housing that already exists.

Rental assistance can be used as a long-term housing solution, giving a family the right to a rent subsidy for as long as it is needed. It can be used to prevent homelessness, by providing short-term assistance to otherwise stable families that are in danger of being evicted. Or, it can help people transition out of homelessness, providing help with rent while a tenant adjusts to life in a permanent housing unit.

Rental assistance is private-market oriented, directed primarily at individual families in private market housing units. Rental assistance programs do not ask private landlords to lower their rents, nor do they build new housing units. Instead, they work within the existing housing market, helping people rent units they would not otherwise be able to afford. Some types of rental assistance can be applied to publicly-subsidized housing units, but typically rental assistance is a direct subsidy to a private landlord on behalf of a tenant.

Rental assistance has traditionally been a Federal responsibility, and has long been seen as the Federal government's primary contribution to affordable housing. Although some cities, including Seattle, operate small rental assistance programs, rental assistance has been primarily a Federal responsibility since its inception. As the following section points out, it is seen by the Federal Department of Housing & Urban Development (HUD) as an essential way to help low-income people, particularly because rental assistance allows people to live wherever they want, rather than forcing them into low-income neighborhoods or housing complexes. Indeed, even as the Federal government has moved away from supporting subsidized housing production, it has increased its commitment to rental assistance.

Rental assistance is a significant part of local affordable housing efforts. In 2001, rental assistance programs constituted 55% of governmental resources available locally for affordable rental housing

The following table summarizes funding available in 2001 for rental assistance and for capital subsidies to create or preserve affordable rental housing. Although capital projects – building new units or preserving old ones – often tend to be more visible, the amount of money available for rental assistance in 2001 (much of which was spent on rents in the private market) is actually greater.

TABLE 1. Government Funds Available for Subsidized Rental Housing, Seattle 2001

Fund Source	Amount
City of Seattle Capital Funds for Rentals (Levy, TDR, Bonus, Growth, Mitigation, Weatherization, Program Income, Bridge Loans.)	\$15.3 million
Federal Capital Funds for Rental Hsg. (HOPWA, HOME, CDBG, Weatherization, Tax Credits)	\$23.8 million
Subtotal, Capital Funds for Rental Housing	\$39.1 million
City of Seattle Rental Assistance (4 programs + O&M Trust Fund)	\$1.8 million
Federal Rental Assistance (Section 8, Shelter + Care)	\$45.3 million
Subtotal -- Rental Assistance	\$47.1 million
TOTAL	\$86.2 million

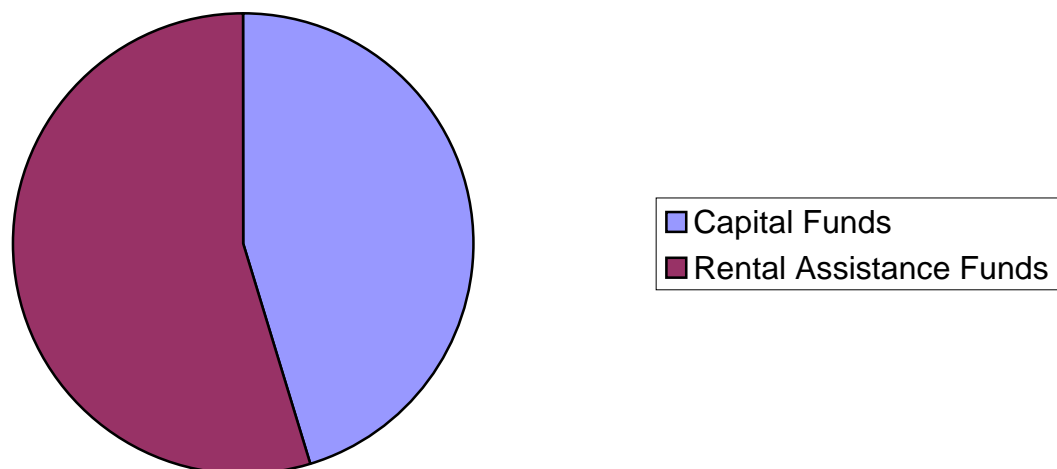
Source: Seattle Housing Authority, City of Seattle Office of Housing, Plymouth Housing Group.

Please note that this table is meant to provide only a snapshot comparison of the availability of capital and rental assistance funds. It is difficult to compare capital subsidies with rental assistance, as rental assistance is meant to be used immediately and must be renewed each year, while capital subsidies are intended to be used to construct housing units that will be available for many decades thereafter. However, the chart does show – out of the discretionary governmental funds that were available in the area in

2001 for low-income rental housing – how the amount devoted for capital subsidies compares with the amount available for rental assistance.

Capital housing funds available through the State Housing Trust Fund and Washington State Housing Finance Commission Multifamily Bonds are not included in this analysis as there is no guarantee from year to year that any of this money will come to Seattle. Private, philanthropic funding sources are not included in this table for either rental assistance or capital. The many privately-funded rental assistance programs that are funded and operated by churches, faith-based organizations, community groups, the Apartment Association of Seattle-King County, and other organizations, thus, are not included in this table.

Chart 1: Public Funds Available for Rental Housing in Seattle, 2001



Local Sources of Rental Assistance:

- ◆ **Federal Section 8 Program.** HUD's Section 8 Program is administered locally by the Seattle Housing Authority (SHA). SHA's Section 8 Program has grown dramatically over the last half decade, from an annual allocation of \$23 million in 1995 to \$41.7 million in 2001. The program currently has 5,664 rental assistance vouchers or certificates in use, with 1,500 additional vouchers in new or pending awards.
- ◆ **Federal Shelter Plus Care Program.** HUD's Shelter Plus Care Program is designed to provide housing and supportive services on a long-term basis for homeless people with mental illness, chemical dependency, or AIDS. In King County, the program is managed by Plymouth Housing Group. The program currently provides \$3.5 million annually in funding for 560 tenant vouchers. Approximately 60% of these vouchers are used within City limits.
- ◆ **City of Seattle Rental Assistance Programs.** Since 1993, the City of Seattle has provided funding for several rental assistance programs for families in specific emergency situations. In 2001, the City budgeted just over \$1 million for rental assistance. The City's programs are managed by the Salvation Army.
- ◆ **City of Seattle Housing Levy Operating and Maintenance Trust Fund Program.** The 1986 and 1995 housing levies both included an Operating and Maintenance (O&M) Trust Fund that has functioned as a de facto form of project-based rental assistance. The O&M Trust Fund provides an operating subsidy to units that are used to house extremely low-income tenants whose rent payments do not cover the cost of operating the unit. The 1995 Levy provided a total of \$7,672,098 for the program. Funds are invested to provide annual subsidies to projects for approximately a 20-year period. In 2001, \$843,570 will be used to subsidize projects funded from both the 1986 Levy and 1995 Levy O&M Trust Fund Programs.

HISTORY OF RENTAL ASSISTANCE

The Federal Government first began providing assistance with housing to help families during the Depression. The Federal Government began subsidizing housing during the Depression through the National Housing Act of 1934 and the U.S. Housing Act of 1937. Government programs helped create new, subsidized housing projects and provided long-term subsidized mortgages to help families find private-market housing they could afford.

The Section 8 Rental Assistance Program was created to balance lack of family income with housing supply. During the 1970s, studies showed that the major housing problem for low-income people nationally was not supply but rather the high percentage of income they were spending on housing. These studies led to the Housing and Community Development Act of 1974, which created the Section 8 Program. The Section 8 Program, a rental assistance program, which provided a subsidy to make up the difference between what a tenant could afford and what the monthly rent for a housing unit cost, was intended to help low-income people find housing wherever they chose to live.

Historically, rental assistance was seen as offering an advantage over using public funds to build subsidized housing units because tenants could live wherever they wanted as part of the private housing market. And, in fact, in areas with relatively stable rents and a large supply of housing, the Section 8 Program proved quite effective at housing people who would otherwise have been unable to afford a place to live. However, in areas with higher-than average rents, quickly increasing rents, or less housing supply than demand, Section 8 did not solve the housing problem. In some cities, in fact, vouchers have had to be turned back unused because low-income families simply could not find private market housing they could afford even with a rent subsidy.

Seattle has been one of these cities. Although SHA has been quite successful in using its rent vouchers, double-digit housing price increases have at times made it difficult for low-income families to find housing in the private market. Increasing housing prices and the demolition of 8,000 downtown Seattle housing units during the 1980s led to local action on housing in the form of increasing supply. A housing bond measure passed in 1981 and the housing levy of 1986 supplemented the Federal government's Section 8 efforts in the private market by using local property tax dollars to

build or preserve thousands of housing units to help seniors, people with special needs, and low-income families. This balancing act between subsidizing a family's ability to pay market rent and increasing the supply of rent-restricted affordable housing continues today.

Rental Assistance increased in prominence as a way of giving tenants choice and avoiding concentrations of poverty. The Quality Housing and Work Responsibility Act of 1998 (QHWRA) launched a national public housing reform effort that, among other things, emphasized the role of rental assistance because of its ability to avoid concentrating low-income families in specific neighborhoods or housing projects. Recent national studies have reiterated this goal and pointed to the ability of rental assistance programs to help prevent homelessness.^{1, 2, 3}

Federal subsidies for rental assistance have increased while subsidies for housing production and operation have decreased. Over the last decade, Federal policy has led to increasing support for rental assistance and decreasing support for public housing operating subsidies.

Public housing operating subsidies, like rental assistance subsidies, are allocated annually by Congress and distributed to housing authorities on a formula basis. In recent years, public housing operating subsidies have not even kept up with inflation. For fiscal year 2000, for example, SHA received 98.5% of the operating subsidy HUD's formulas show are needed.⁴ In fiscal year 1999, SHA received 100% of the operating subsidy HUD determined it needed, but in 1997 it received only 89%. With changes to the formula and the number of units in SHA's low-income public housing stock, this translates to a less than 1% annual increase between 1995 and 1999. At the same time, the number of vouchers available through the Section 8 rental assistance program has increased by 152%.

FEDERAL RENTAL ASSISTANCE PROGRAMS

◆ SECTION 8 PROGRAM

The Section 8 Program is the largest rental assistance program. It is administered nationally by HUD and locally by the Seattle Housing Authority.

When Section 8 began in the 1970s, rent subsidies were provided through **certificates** that provided the difference between 30% of a tenant family's monthly income and the gross rent (rent + utilities) for the unit. Rent subsidies were capped by a HUD-set Fair Market Rent, which was set so as to allow 40% of all units within a given area to fall within it.

As the years went on, the Fair Market Rent cap became a serious limitation for the program in regions with higher-than-average or quickly increasing rents. In the late 1990s, to make the Section 8 program more closely simulate the private rental market, HUD introduced rent **vouchers**, which were intended to eventually replace all Section 8 certificates.

With vouchers, the total rent allowed is capped at a 'reasonable rent' determination based on the local market, and the rent subsidy is capped by the housing authority's Voucher Payment Standard (which the housing authority sets between 90% and 110% of the HUD-specified Fair Market Rent). The tenant family with a voucher pays a minimum of 30% of monthly income for rent and utilities. If the family selects a unit with a gross rent (rent plus utilities) higher than voucher payment standard, the tenant must pay the difference between 30% of income and the gross rent. Thus, subsidy amount and rent to the landlord are decoupled: the landlord can collect more from tenants than the voucher payment standard, but not more than landlords charge for similar unassisted units in the building or neighborhood, and the tenant must pay the difference between the 'reasonable rent' and the subsidy provided by the housing authority.

Currently in Seattle, 30% of households receiving vouchers pay no more than 30% of their income for rent and utilities, and 57% of voucher households pay no more than 40% of their income.⁵ SHA has recently increased the voucher payment standard and instituted a cap of 40% of

gross income for families leasing through the voucher program, to ensure that tenants do not devote too much of their income to rent.

HUD required all public housing authorities to transition from certificates to vouchers by October 2001. However, because SHA has been designated a Move-to-Work housing authority, it was permitted to delay this conversion, and thus still has some certificates in its rental assistance portfolio.

As of the end of November, 2001, SHA had a total of 5,664 vouchers and certificates in use. These vouchers and certificates are used as follows:

TABLE 2. Section 8 Program Vouchers and Certificates Managed by SHA

Use of Voucher or Certificate	Number
Vouchers being used for rental units in Seattle	3,345
Certificates being used for rental units in Seattle	908
Vouchers used in other jurisdictions But still managed by SHA	1,114
Certificates used in other jurisdictions But still managed by SHA	56
Vouchers 'ported in' from other jurisdictions, Managed by other housing authorities	151
TOTAL	5,664

Source: Seattle Housing Authority

NOTES: As of 11/28/01, there are 416 vouchers 'pending portability' in or out of the jurisdiction, in addition to the 5,664 vouchers and certificates tallied in this table. SHA notes that between 20 and 40 households leave the program each month. Those vouchers are reissued to new households on the waiting list..

Growth in Program Funding. SHA's Section 8 Program has expanded significantly over the last half decade, from \$23 million and 3,711 vouchers or certificates in 1995 to \$41.7 million and 5,664 vouchers in 2001. SHA has new awards and commitments totalling approximately 1,500 new vouchers, which will be issued to families over the next few years.

TABLE 3. SHA Section 8 Program Funding

Year	Total Annual Federal Support for Program	Number of Vouchers or Certificates
1995	\$23,010,257	3,711
1996	\$24,299,741	3,873
1997	\$25,674,234	3,973
1998	\$28,950,274	4,484
1999	\$30,802,471	4,484
2000	\$33,877,279	4,688
2001	\$41,763,147	5,664

Source: Seattle Housing Authority

Population Served. SHA's Section 8 Program targets very low income households, those who would not otherwise be able to afford unsubsidized housing on their own. The average income of households currently renting units in Seattle through the Section 8 Program is \$11,000, well below 30% of median income, as can be seen from the table below.

TABLE 4. SHA Section 8 Program Population Served
(Units currently rented in Seattle)*

Household Size	Average Household Annual Income	Number of Households	Percent of Median Income for that Family Size	Average Rental Subsidy From SHA Per Month
1	\$8,143	1,614	16%	\$421
2	\$10,270	1,047	18%	\$681
3	\$12,381	788	19%	\$710
4	\$13,948	519	19%	\$797
5	\$15,256	265	20%	\$852
6	\$18,152	144	22%	\$874
7	\$19,644	69	22%	\$972
8	\$20,684	32	22%	\$1,041
9	\$15,472	10	15%	\$1,336
10	\$11,965	5	11%	\$1,285
11	\$16,664	3	14%	\$1,409
12	\$33,673	1	27%	\$957

Source: Seattle Housing Authority

*NOTE: The total number of households tallied in this table does not include households who have 'ported out' their vouchers or certificates and are leasing in a community outside Seattle city limits. In addition, there is a slight difference between the total number of households counted in this table and the total number of vouchers counted in Table 2 because of the inherent, day-to-day variations in program totals as tenant households enter and leave the program.

Subsidy Levels. The level of rent subsidy provided through the Section 8 program varies with the size of the unit, its monthly rent, and the tenant household's monthly income. SHA's average monthly subsidy is \$592. The table below shows current maximum subsidy levels for different unit types in Seattle. These subsidy levels represent the current maximum SHA will provide for rent and utilities (includes 30% of the tenant income, the minimum tenant contribution).

Private market rents throughout the City of Seattle currently average \$786 a month for a one-bedroom apartment, according to a recent study by Dupre+Scott Apartment Advisors.⁶ That average monthly rent does not include utilities, which SHA estimates add 8-13% to a tenant's gross rent (total housing cost). This rental cost compares with \$406 a

household at 30% of median income could afford to pay if it devoted 30% of its income to housing costs.⁷ A household earning significantly less than 30% of median income (as many Section 8 tenants do) can obviously afford to pay significantly less.

**TABLE 5. SHA Maximum Subsidy Levels for Section 8 Units
Rent Plus Utilities
(For units currently rented in Seattle)**

Unit Size	Current Maximum Payment Standards for Rent and Utilities	Average Utility Allowance*	Amount of Subsidy available for rent to owner**
Studio	\$550	\$42	\$508
One BR	\$650	\$56	\$594
Two BR	\$930	\$90	\$840
Three BR	\$1,200	\$181	\$1,093
Four BR	\$1,500	\$214	\$1,314
Five BR	\$1,650	\$245	\$1,439
Six BR	\$1,900	\$282	\$1,657

Sources: Dupre + Scott Apartment Advisors for Seattle Housing Authority, October 29, 2001.

*Assumes all electric utilities and assumes apartments for 0-2 bedroom units, small multiplexes and houses for 3-6 bedroom units.

**This figure is housing authority payment to landlord, which is supplemented with 30% of tenant income (tenant will pay more than 30% of income if gross rent is higher than maximum payment standard).

Population Location. Recent studies assert that Federal rental assistance offers low-income people not only housing but a way out of poverty because tenants are not clustered in a single low-income neighborhood or housing complex, but can rather choose a housing unit anywhere they want to live.⁸ This has certainly been the case in Seattle, as voucher holders live in every neighborhood.

However, households receiving rental assistance in Seattle tend to congregate in lower-income neighborhoods where rents are lower and households can pay closer to 30% of their income. In 2000, in fact, a full 40% of voucher holders who had found housing within Seattle were renting in the Central Area or Rainier Valley, the two lowest-income neighborhoods in the city.

TABLE 6. Location of Section 8 Renter Households, 2000

Neighborhood	Renter Households with Certs or Vouchers	% by Neighborhood	Total Renter Households	% Renter Households with SHA Rental Assistance
Magnolia	22	1%	4,088	1%
Queen Anne	38	1%	7,059	1%
University-Ravenna	56	2%	10,324	1%
Green Lake-Wallingford	67	2%	11,723	1%
Ballard	101	3%	9,470	1%
Capitol Hill/Eastlake	103	3%	6,103	2%
West Seattle	248	7%	14,324	2%
North Seattle	422	12%	16,844	3%
Downtown	309	9%	8,703	4%
First Hill	209	6%	4,933	4%
Central Area	535	15%	11,876	5%
Southwest Seattle	335	9%	3,881	9%
Rainier Valley	917	25%	8,642	11%
Beacon Hill	244	7%	2,268	11%
TOTAL	3,606	100%	120,238	3%

Source: City of Seattle Consolidated Plan, 2001-2004. Out of the total number of vouchers or certificates available in 2000, 3,606 were being used for housing within Seattle city limits, with the remainder used elsewhere in the region.

◆ SHELTER PLUS CARE PROGRAM

HUD's Shelter Plus Care Program is designed to provide housing and supportive services on a long-term basis for homeless people with disabilities. The program provides Tenant-based Rental Assistance, Sponsor-based Rental Assistance, Project-based Rental Assistance, and Section 8 Moderate Rehabilitation Program for Single Room Occupancy dwellings.

Plymouth Housing Group in Seattle currently manages 560 Shelter Plus Care vouchers. Plymouth distributes these vouchers to human services agencies that, in turn, make them available to people who have mental illness, chemical dependency, or are living with AIDS. The vouchers can be used for housing anywhere in King County. In return for the rental vouchers, the human services agencies that use them provide services such as case management to their clients who participate in the Shelter Plus Care Program. Funds for the Shelter Plus Care program are channeled through four different grants, which provide a total of approximately \$3.5 million a year for rental vouchers.

Approximately 60% of the 560 vouchers are used to rent apartments within the city of Seattle.

CITY OF SEATTLE RENTAL ASSISTANCE PROGRAMS

The City of Seattle has provided rental assistance since 1993, focusing its efforts on households transitioning out of homelessness and those in danger of eviction. The City allocated just over \$1 million for its rental assistance during 2001.

Staff estimate that City rental assistance programs will assist 1,200 households in 2002, out of a total of 3,000 households that could be eligible. The City currently funds four different programs using Federal pass-through and City funds that provide rental assistance to low-income households.

- ◆ **The Homeless Family Assistance Program.** This program, which is funded by Federal HOME funds, has been managed by the Salvation Army since 1993. It provides housing placement and ongoing rental assistance for homeless families, who are referred from shelters or community-based organizations. The program also includes intensive case management support in addition to rent subsidies. Clients are served for an average of six to twelve months, and can be assisted for up to two years. The Homeless Family Assistance Project provides rent subsidies to 70 unduplicated families a year at an average of \$3,885 yearly.
- ◆ **The Eviction Prevention Program.** This program was managed by the City's Human Services Department until 2000 and has now been contracted out to the Salvation Army. It provides for ongoing assistance for families facing eviction who need to be stabilized so that they do not become homeless. The program does not provide just one-time assistance; rather, it helps families for three to six months, and up to one year if needed, with rent subsidies, intensive case management, and landlord negotiation. The Eviction Prevention Program served 60-80 unduplicated households on average for the last three years.
- ◆ **HOPWA Program.** The Federal Housing Opportunities for Persons with AIDS Program (HOPWA) gives local jurisdictions funding to address the specific needs of persons living with HIV/AIDS and their families. A portion of the City of Seattle's HOPWA allocation is used for rental assistance, to help prevent homelessness and promote housing stability for individuals and families with members disabled by AIDS.
- ◆ **Expanded Rent Assistance Collaboration Effort (ERACE).** Seattle's rental assistance programs were supplemented in 1998 with the RACE

(now ERACE) program, which provides one-time or very short-term crisis rental assistance to otherwise stable families suddenly facing eviction. Like the other rental assistance programs, it is managed by the Salvation Army. This program provides emergency assistance, with a maximum of \$750 permitted for each eligible family per calendar year, usually in the form of one or two months' partial rent subsidies. (For single households, the maximum is \$500.)

Table 7 summarizes use of the ERACE program. Table 8 lists all funding sources used for all four programs described above.

Table 7. City of Seattle ERACE Program Use

Year	# HH Interviewed	# HH who Received Cash Assistance	Average Amount of Rental Assistance
1999	717	337	\$326 + \$50 in additional assistance from other agencies
2000	1,057	330	\$312 + \$116 additional
2001 (Jan-July)	350	152	\$327 + \$60 additional

Source: City of Seattle Human Services Department

TABLE 8. City of Seattle Rental Assistance Funding*

Year	HOME*	HOPWA	CDBG	HSP	General Fund	TOTAL
1993	\$300,000	\$149,137	-	-	-	\$449,137
1994	\$150,000	\$78,738	-	-	-	\$228,738
1995	\$260,000	\$65,535	-	-	-	\$325,535
1996	\$350,000	\$472,522	\$133,613	-	-	\$956,135
1997	\$350,000	\$314,180	\$140,564	-	-	\$804,744
1998	\$350,000	\$420,405	\$139,011	\$7,356	-	\$916,722
1999	\$350,000	\$378,596	\$149,294	\$41,387	-	\$919,277
2000	\$350,000	\$360,396	\$116,568	\$75,314	-	\$902,278
2001	\$350,000	\$383,000	\$120,764	\$78,025	\$90,000	\$1,021,789
TOTAL (93-01)	\$2,810,000	\$2,622,509	\$799,814	\$202,082	\$90,000	\$6,524,405

**HOME = Federal HOME Investment Partnerships Program grant funds. HOPWA = Federal Housing Opportunities for Persons With AIDS. CDBG = Federal Community Development Block Grant pass-through funds. HSP = City of Seattle Human Services Program funds. General Fund = City of Seattle General Fund. This table does not list funds provided for other eviction prevention services, such as legal aid, tenant counseling, or case management. It does not include Seattle Human Services Department administrative expenses, and does not include funds leveraged by the Salvation Army to serve clients of these programs.*

- ◆ **Seattle Housing Levy Operating & Maintenance Trust Fund.** The 1986 and 1995 housing levies both included an Operating and Maintenance (O&M) Trust Fund that has functioned as a de facto form of project-based rental assistance. The O&M Trust Fund provides an operating subsidy to units that are used to house extremely low-income tenants whose rent payments do not cover the cost of operating the unit. The 1995 Levy provided a total of \$7,672,098 for the program. Funds are invested and set up to provide annual subsidies to projects for a 20-year period. In 2001, \$843,570 will be used to subsidize projects funded from both the 1986 Levy and 1995 Levy O&M Trust Fund Programs.

TABLE 9. Housing Levy Operating & Maintenance Trust Fund

Year	Total O&M Trust Fund Dollars Applied to Projects	Total Units Subsidized	Average Monthly Subsidy per Unit
1996	\$480,743	268	\$149.50
1997	\$366,781	276	\$140.92
1998	\$548,377	367	\$124.50
1999	\$618,034	398	\$129.42
2000	\$729,442	454	\$133.83
2001 (Jan-July)	\$843,570	504	\$139.50

Source: City of Seattle Office of Housing

PRIVATE RENTAL ASSISTANCE PROGRAMS

Many churches, faith-based organizations, community groups, and human services agencies operate rental assistance programs. These programs typically provide short-term or emergency assistance to help a family secure an apartment or avoid eviction. These programs are too numerous to list here, and have not been included in the tally of rental assistance funds available locally.

One privately-operated program, Mutual Interest, deserves special mention, however, because it was created by the real estate industry to respond to the growing problem of homelessness within the region.

Mutual Interest: A private initiative designed to provide help to low-income families by funding security deposits. The program has received funding from individuals and businesses in the real estate industry and foundations; it is supported by AASK. 2001 was the first full year of assistance; 46 families have been assisted thus far. Goal for 2002: 100 families. The organization is working toward establishing a self-sustaining fund targeting people seeking housing.

BALANCING RENTAL ASSISTANCE AND HOUSING PRODUCTION

Rental assistance plays a major role in helping low-income families find affordable housing in Seattle. And, as has been noted above, it has been playing an even more prominent role here in recent years, as the Federal government has steadily decreased its capital funding for creating new, physical units of subsidized housing and has increased funding for rental assistance for units in the private market. At the same time, however, the majority of local funds (available through the Seattle Housing Levy) have been devoted to capital purposes, to producing and preserving affordable rental housing units.

How does rental assistance compare with capital subsidies to produce new housing units in terms of cost-effectiveness and efficiency? Is one strategy less expensive than the other? Can one strategy serve more people? Is it better to rely on the private market for housing – as rental assistance does – or to step out of the market and build new subsidized units as the housing levy has done?

The answer is that it depends. Depending on the economic conditions at the time, either rental assistance for existing, private market units or capital subsidies for new, subsidized housing units may be a better choice.

A balanced strategy is most efficient over the long term. Rental assistance is likely to be the most cost-effective housing strategy during a weak economy, when rent increases are low. Using housing funds for capital subsidies to acquire or build new units of subsidized housing, on the other hand, is likely to be the most cost-effective strategy in a strong economy, when rent increases are higher and demand is strong. Since it is impossible to predict economic conditions for years or decades ahead, a diversified, balanced strategy – which includes both rental assistance to help low-income families afford units in the private market AND capital subsidies for new units of affordable rental housing – will be most efficient and cost-effective.

INNOVATIVE NEW WAYS TO USE RENTAL ASSISTANCE

Rental assistance is typically ‘tenant-based.’ That is, a subsidy is awarded to a tenant who uses it to pay for housing. If the tenant moves, the subsidy moves with the tenant. However, as a HUD-designated ‘Move-to-Work’ housing authority, SHA has a great deal of flexibility to design and manage its Section 8 Program:

- ❑ **Long Term project-based rental assistance.** SHA’s Board recently approved a policy permitting up to 25% of its vouchers to be ‘project-based’ rather than ‘tenant-based.’ The policy requires a competitive process and accepts applications from both for-profit and non-profit developers or owners. To be project-based, rental vouchers must be used for either homeless families or homeless individuals with special needs. Any proposal to ‘project-base’ rental vouchers must also include a proposal to provide appropriate services (which can be partially funded through the Section 8 rental subsidy). It is possible that project-based Section 8 vouchers could be used to help support projects currently subsidized by Federal McKinney operating dollars as these funds diminish.
- ❑ **Agency-based rental assistance:** In this variation on ‘tenant-basing’ a Section 8 voucher, SHA would distribute vouchers to social service providers, which would, in turn, use them to help find private market housing for their clients. SHA has employed this approach but has not yet implemented it on a large-scale basis, though SHA policies permit up to 20% of its vouchers to be ‘agency-based.’ Agency-based vouchers could be used by case managers as part of an overall assistance package for clients who need additional support to find and keep housing.
- ❑ **Rental assistance for homeownership:** HUD regulations also permit SHA to use its vouchers as part of a homeownership program. Homeownership may make it easier for large families to find suitable, affordable housing, as more homes with three or four bedrooms are available for sale than for rent. Homeownership can also allow families to lock in their housing costs and avoid rent increases. The SHA Board is expected to make a decision on program participation next year. The main challenge in Seattle is the high cost of for-sale units. HUD will not permit the Section 8 subsidy for homeownership to be higher than the subsidy for rental housing.

SHA already provides a number of homeownership assistance programs for its current tenants. These include:

- **Family Self-Sufficiency** through which SHA contributes rent increases into an escrow account for participating families. Approximately 90% of the program participants will use the account for down payment on a home. Some 600 households are currently enrolled in the program.
- **Jobs Plus** rent policy through which approximately 110 Rainier Vista residents are also having funds put into an escrow account available for homeownership down payment.
- **New public housing rent policy** through which families can also create a savings account available for a down payment.

A balanced housing strategy – with some funds devoted to providing rental assistance for private market units and some funds devoted to producing or preserving units of housing that will commit to affordable rents for long periods of time – will be most effective for Seattle over the long term. As new and innovative ways to use existing rental assistance programs are developed, they can be adopted for use in Seattle and coordinated with housing capital development strategies to create a balanced and vibrant affordable housing strategy.

¹ Sard, Barbara, "Housing Vouchers Should Be a Major Component of Future Housing Policy for the Lowest Income Families," *Cityscape: A Journal of Policy Development and Research*, Volume 5, Number 2, 2001, U.S. Department of Housing and Urban Development Office of Policy Development and Research, p. 89.

² Abt Associates for Millennial Housing Commission, "Issues and Options for HUD's Tenant-Based Assistance Program," September 2001.

³ National Alliance to End Homelessness, "A Plan: Not a Dream, How to End Homelessness in Ten Years," 2001.

⁴ Seattle Housing Authority, Draft Asset Management Plan, 2000.

⁵ Dupre + Scott, memo to Seattle Housing Authority, October 29, 2001.

⁶ Dupre+Scott Apartment Advisors, October 2001 rent survey.

⁷ HUD-published affordable rents effective March 29, 2001, for use with Seattle Office of Housing programs.

⁸ Sard, p. 90.